ANNUAL REPORT 2010

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO / CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

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ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004*.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the *Public Accounting Act, 2004*.

The Designated Bodies named in the *Public Accounting Act, 2004* are the:

- Certified General Accountants Association of Ontario (CGAO)
- Institute of Chartered Accountants of Ontario (ICAO)
- Certified Management Accountants of Ontario (CMAO)

Upon the Council being satisfied that a Designated Body meets the Council's standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

As of January 19, 2011, being the date of issuance of this Annual Report, the ICAO and the CGAO have been approved as Authorized Designated Bodies.

THE COUNCIL STANDARDS

The Council's Standards were adopted in their initial form on June 20, 2006 and are published on the Council's website at www.pacont.org. The Council's Standards require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and
- governance standards respecting the licensing and governing of the activities of its members as public accountants.

The Council has adopted Council Guidelines dealing with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach. Council Guidelines are published on the Council's website.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2010 fiscal year (November 1, 2009 - October 31, 2010) and up to the date (January 19, 2011) when the Council adopted this Annual Report were:

Oversight of the Assessment of Substantial Equivalence

The Council continued to monitor the progress of the independent evaluators (the Evaluation Team) retained by the Council to assist in the assessment of the substantial equivalence of the public accounting standards of the Designated Bodies. In this respect:

CGAO

As noted in the 2009 Annual Report of the Council, the Evaluation Team had identified remedial actions which, if taken by CGAO, should result in the CGAO public accounting standards being found by the Evaluation Team to be substantially equivalent to the Council Standards and to provably develop a public accountant with the competencies that are comparable to those of a public accountant produced by the benchmark program underlying the Council Standards.

Subsequently, CGAO advised the Council that it would be implementing the steps that the Evaluation Team considered to be required. This remediation activity, monitored closely by the Evaluation Team, continued during the first months of 2010, and on June 4 the Evaluation Team submitted to Council its *Report on the Assessment of Substantial Equivalence: CGAO (Final Report)*.

In this *Final Report*, the Evaluation Team expressed the opinion that the CGAO public accounting standards were now substantially equivalent to the Council Standards in respect of

those members of the CGAO who had completed the 51-credit hour preparation, and could provably develop a public accountant with the competencies comparable to those of a public accountant produced by the benchmark program underlying the Council Standards. At the same time, in view of the fact that the required GGAO public accounting examinations would of necessity be conducted for the first time, it was noted that certain review procedures would need to be assessed at a later stage once candidates were actively involved in completing the licensure program. The Evaluation Team also expected in the months following to extend its assessment of procedures to the program (based on distance learning) for CGAO candidates other than those completing the 51 credit-hour preparation.

At its meeting of June 22, 2010, the Council accepted this *Final Report*. And on this same day the CGAO became an Authorized Designated Body under the *Public Accounting Act, 2004*.

In more recent months, the Evaluation Team has been assessing, with positive results to date, the above-mentioned review procedures as candidates begin to sit the public accounting examinations. Assessment of the program and related procedures for CGAO candidates other than those in the 51 credit-hour program was also begun in July 2010.

CMAO

In 2010, the CMAO provided the Evaluation Team with a significant amount of material in the areas of education, examination and work experience, and evaluation is proceeding. In addition, material relating to legal, professional and compliance matters has also been delivered and is being evaluated. In early 2011, a meeting was held with senior representatives of the CMAO, the Evaluators and the Council to update the plan for delivery of the remaining material and the completion of its evaluation. Through these discussions, a plan has been set for the Evaluation Team, with the necessary input from the CMAO, to complete its report to the Council on the substantial equivalence of the CMAO public accounting standards with those of the Council by mid 2011.

Bridging Program for Certain Potential Licensees

As noted in the 2009 Annual Report, work had begun, with the cooperation and involvement of the three Designated Bodies, on developing a bridging program for those members of Authorized Designated Bodies who have had substantial involvement in public accounting, who have an interest in becoming licensed to practise public accounting in Ontario, but who may not have met all of the requirements of the *Public Accounting Act, 2004*. In essence, the bridging program was aimed at providing for the issuance of public accounting licences to existing members of a newly Authorized Designated Body who, while not meeting all the requirements of Council Standards regarding post-secondary education, pre-licensing education and study, and/or pre-licensing experience, would be deemed according to specific criteria to have had sufficiently substantial involvement in public accounting to offset this.

Work on this program continued in the first months of 2010, and at its meeting of June 22, the Council authorized the issuance of a new Council Guideline (Guideline No. 2010-6) that provided for a bridging program along the lines outlined above. Also, because this Guideline was considered to represent an amendment to Council standards, it required approval from the Minister. This approval was granted on July 28, 2010.

This is the only Guideline adopted in the past year.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the *Public Accounting Act, 2004* to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister. The purpose of a periodic review is to:

(i) determine whether the Authorized Designated Body continues to meet the Council Standards;

(ii) determine whether the Authorized Designated Body is complying with the Council Standards;

(iii) oversee the Authorized Designated Body in its capacity to license and govern the activities of its members as public accountants; and

(iv) determine whether the purpose and objects of the Council are being met.

The Council has implemented procedures to fulfill its obligation under the Act. Besides the above-noted periodic reviews, the Council also carries out special reviews as required.

As was noted in the section above on the Council's authorization for the CGAO to issue public accounting licences, certain review procedures for candidates are being assessed on a continuing basis in tandem with the CGAO examination schedule. As well, given the likely increase in the number of CGAO licensed public accountants in public practice, the Council commissioned a special review with respect to governance of the activities of CGAO qualified members as licensed public accountants in the three years prior to authorization on June 22, 2010. The report on this review, conducted by an outside expert, was delivered on January 12, 2011, and accepted by the Council on January 19. It concluded that nothing had come to the attention of the reviewer to cause him to believe that in its licensed public accountant governance in the period in question the CGAO had not been materially in compliance with the Council Standards.

The report on the first triennial review for the ICAO was also delivered on January 12, 2011, and accepted by the Council on January 19. This review, which covered the period from November 1, 2006 to October 31, 2009, was designed to assess where there might be risks of significant non-compliance with the Council Standards, and was performed by a team of evaluators with expertise in education, examination, experience and regulatory/legal standards. The team's conclusion was, on the basis of an undertaking by the ICAO not to compel from members documents subject to legal privilege, that the ICAO had become compliant with each and every Standard established by the Council.

Memorandum of Understanding

In 2010, the management of the Council was engaged in discussions with staff of the Ministry of the Attorney General for the Province of Ontario regarding a draft Memorandum of Understanding (MOU) to be signed by the Minister and the Chair of Council. This MOU is aimed at setting out in a formal, codified, fashion the administrative and accountability relationships between the Ministry and the Council pursuant to the Treasury Board/Management Board's Agency Establishment and Accountability Directive.

The terms of this MOU have been discussed in detail with Ministry staff by Council management and also reviewed with the Council. The MOU remains open for further discussion and review.

Impact on Public Accounting of the Agreement on Internal Trade

As was anticipated in the Council's 2009 Annual Report, in November 2009 the Government of Ontario filed an exception for public accounting under the provisions of Chapter 7 (Labour Mobility) of the Agreement on Internal Trade. In the rationale for this exception, filed on the grounds of consumer protection, it was noted that material differences exist among the provinces/territories in respect of the competencies and standards established for licensing or authorization to practise public accounting.

At the same time, the Council was advised that the Government of Ontario's goal continues to be to reduce over time the number of exceptions taken by Ontario. The Council has been requested by the Government of Ontario to continue efforts to work with other jurisdictions towards that end, and the Council has advised that it will endeavour to do so.

It was in this light that the Council in 2010 reviewed the policy framework within which the Council could both perform its mandated role for maintaining public accounting standards in Ontario in accordance with the *Public Accounting Act, 2004*, and accommodate expectations regarding the Agreement on Internal Trade.

Its policy approach is two-track.

One track is to demonstrate by action under Ontario's legislation that fully consistent, high, transparent standards for public accounting can in fact be achieved across different Canadian accounting bodies. This can serve as an example for other jurisdictions in Canada, and the accounting bodies themselves. Accordingly, it serves to encourage progress toward principled common standards and soundly based labour mobility across the nation. This example of consistent standards has now been realized in regard to the ICAO and CGAO.

The other track is for the Council, in the work it undertakes to update and where appropriate to raise existing standards, to be particularly mindful of labour mobility concerns. The Council is beginning to undertake along with the three Designated Bodies a review of the Council Handbook and the Council Standards (both published on the Council website). As regards the Standards, besides a focus on updating the rules of professional conduct, special attention is being given to the scope for reducing the complexity of Council Standard 7, regarding the licensing of persons from accounting bodies in other jurisdictions who are admitted to membership in an Authorized Designated Body in Ontario.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the *Public Accounting Act, 2004*.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints mainly stem from non-licensed individuals advertising their services under captions for public accounting and non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on these reports. The majority of these situations are dealt with by having the individual sign a voluntary undertaking to cease the offending activity.

The one outstanding complaint from the previous year was resolved following an investigation. On the advice of legal counsel, the Council approved receiving an undertaking from the individual.

During 2010, the Council received six complaints that required follow-up and advice from our legal counsel:

- Four complaints were resolved by the receipt of a voluntary undertaking.
- The review of two complaints is in process.

Details of the two successful convictions to date are published on the Council's website under *Statutory Offences*.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22 of the Public Accounting Act, 2004* request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a complaint made pursuant to *section 22* is limited to recommending whether to refer the complaint back to the licensing body to investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2010, the Council received no requests for a *section 22* review. Two requests were received after the fiscal year-end and will be followed up in 2011.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council
- Two Members appointed by the Certified General Accountants Association of Ontario
- Four Members appointed by the Institute of Chartered Accountants of Ontario
- Two Members appointed by the Certified Management Accountants of Ontario

At January 19, 2011, being the date of issuance of this Annual Report, there is one vacancy in the number of Members required to be appointed by the Lieutenant Governor in Council.
Each Member of the Council holds office for a term of up to three years from the date of his or her appointment and may be reappointed for up to four additional terms.

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council for an initial term of two years from the date of their appointment. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed for up to two terms in addition to any terms the person may have served as Vice-Chair.

COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires
James C. Baillie Of Counsel, Torys LLP Initial Chair of the Audit and Assurance Oversight Council (Toronto, Ontario)	**December 3, 2008**	**December 2, 2013**
John Crow Corporate Director Former Governor of the Bank of Canada (Toronto, Ontario) Chair of the Council and Secretary	**November 1, 2005**	**December 21, 2011**
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	**February 11, 2009**	**February 10, 2014**
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	**October 25, 2006**	**October 24, 2012**
Shoba Khetrapal Corporate Director (Toronto, Ontario)	**December 3, 2008**	**December 2, 2013**
Jacqueline Orange Corporate Director (Toronto, Ontario)	**July 8, 2010**	**July 7, 2012**
Maureen Sabia Vice-Chair of the Council Chairman, Canadian Tire Corporation, Limited (Toronto, Ontario)	**November 1, 2005**	**October 31, 2012**
Ian Shewan Partner, Lerners LLP (London, Ontario)	**July 8, 2010**	**July 7, 2012**

Members Appointed by the Certified General Accountants Association of Ontario

Name	Member of Council Since	Term Expires
Ron Colucci, FCGA Operates an accounting, income tax and business advisory practice (Mississauga, Ontario)	**November 1, 2005**	**October 31, 2011**
John Nazzarro, CGA Partner in the Firm of Nazzarro Clark, Certified General Accountants (Concord, Ontario)	**November 1, 2008**	**October 31, 2011**

Members Appointed by the Institute of Chartered Accountants of Ontario

Name	Member of Council Since	Term Expires
Colleen E. Gibb, FCA, CFE Partner in the Firm of Gibb Widdis, Chartered Accountants (Ancaster, Ontario)	**November 1, 2005**	**October 31, 2013**
Ralph T. Neville, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**November 1, 2005**	**October 31, 2013**
Erik Peters, FCA Retired Auditor-General of Ontario	**November 1, 2005**	**October 31, 2013**
Michael Walke, CA Audit and Assurance Partner, PricewaterhouseCoopers LLP (Toronto, Ontario)	**November 1, 2005**	**October 31, 2013**

Members Appointed by the Certified Management Accountants of Ontario

Name	Member of Council Since	Term Expires
Nigel Jacobs, FCMA Chief Executive Officer of Taylor Leibow LLP, Chartered Accountants (Hamilton, Ontario)	**November 1, 2008**	**October 31, 2011**
Howard E. Johnson, MBA, FCMA, CA, CBV,CPA, ASA, CF, C DIR Managing Director Campbell Valuation Partners Limited (Toronto, Ontario)	**August 24, 2009**	**October 31, 2011**

COUNCIL COMMITTEES

Audit Committee

Members:* James C. Baillie (Chair)
Shoba Khetrapal
Erik Peters

* John Crow ceased to be a Member of the Audit Committee upon his appointment as Chair of the Council on December 22, 2009

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee is chaired by a Member appointed by the Lieutenant Governor in Council and a majority of its members are appointees of the Lieutenant Governor in Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Ron Colucci
John Crow
Nigel Jacobs
Maureen Sabia
Michael Walke

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of Council and its committees, Council Members, the Chair and the Chief Executive Officer.

The Members of the Governance Committee include a nominee of each of the CGAO, ICAO and the CMAO as well as three of the Members appointed by the Lieutenant Governor in Council, one of whom acts as the Chair of the Governance Committee.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2010:

Council	4
Audit Committee	2
Governance Committee	1

Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2010:

Member	Council Meetings Attended	Committee Meetings Attended
James C. Baillie[1]	4 of 4	2 of 2
Ron Colucci[2]	4 of 4	1 of 1
John Crow[2, 3]	4 of 4	1of 2 Audit 1 of 1 Governance
Aldo Di Felice	4 of 4	-
Lili-Ann Foster[2]	4 of 4	1 of 1
Colleen Gibb	4 of 4	-
William G. Horton[4]	1 of 4	-
Nigel Jacobs[2,5]	3 of 4	-
Howard E. Johnson	4 of 4	-
Shoba Khetrapal[1]	4 of 4	2 of 2
John Nazzarro	4 of 4	-
Ralph Neville	4 of 4	-
Jacqueline Orange[6]	1 of 4	
Erik Peters[1]	4 of 4	2 of 2
Maureen Sabia[2]	3 of 4	1 of 1
Ian Shewan[6]	1 of 4	-
Glorianne Stromberg[2, 7]	1 of 4	-
Michael Walke[2]	4 of 4	1 of 1

1 Member of Audit Committee
2 Member of Governance Committee
3 Ceased to be a Member of the Audit Committee upon his appointment as Chair of the Council
4 Ceased to be a Council Member on June 17, 2010
5 Appointed to Governance Committee on March 23, 2010
6 First appointed July 8, 2010
7 Ceased to be a Member of Council on December 21, 2009

The Chair of the Council attends each Committee meeting.

Appointment of the Chair and Vice-Chair

The term of office of the Chair of the Council, Glorianne Stromberg, terminated on December 21, 2009.

The Chair and Vice-Chair are appointed by the Lieutenant Governor in Council. On December 22, 2009, John Crow was appointed as Chair of the Council for a two-year term. In 2010, Members of the Council elected John Crow as Secretary of the Council.

Performance Reviews

The Council has established a performance review process for the Council. Performance reviews of the Council and its committees and Council Members are conducted every two years. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice-Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the *Public Accounting Act, 2004*.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour**

** Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

The compensation of the Chair is $166,666 per annum.

The compensation of the Vice-Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice-Chair, are reimbursed for related travel and out-of-pocket expenses.

Succession Planning

The Council is not empowered under the *Public Accounting Act, 2004* to appoint its directors (who are referred to in the Act as "Council Members") or its Chair or Vice-Chair.

As noted above, the Act provides that of the 17 Council Members prescribed by the Act, two are to be appointed by the CGAO, two are to be appointed by the CMAO, four are to be appointed by the ICAO, and nine are to be appointed by the Lieutenant Governor in Council. These entities are collectively referred to as the "appointing bodies".

In an effort to ensure that Council Members are experienced and qualified and to assist the appointing bodies, the Council, with the input of the Designated Bodies, has developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. The Council has requested the appointing bodies to use these tools in determining whether their respective appointees are experienced and qualified to serve as Council Members. In addition, the Council takes an active role in assessing the qualifications of the nominees for appointment to the Council and Council also communicates its views to the appointing bodies.

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2010. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the *Public Accounting Act, 2004*. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The net operating costs of the Council are funded by the three Designated Bodies. Designated Body assessment fees are set based on the estimated net operating expenses of the Council adjusted for an amount to continue building the net assets to approximately 50% of estimated annual net operating expenses. These assessment fees were set at $1,160,000 in 2010 ($1,150,000 in 2009).

In addition to the annual assessment fees, Council standards assessments costs of $1,043,987 ($579,999 in 2009) were incurred in the process of determining whether the standards of the respective Designated Bodies are substantially equivalent to those of the Council. In addition, costs were incurred to determine if the operations of the CGAO and ICAO were compliant with the standards of the Council for governance of their respective licensed public accountants. All of these costs are billed and recoverable from the Designated Bodies.

The other source of revenue is interest income earned from temporary investments amounting to $12,547 in 2010 ($35,801 in 2009).

The main expenses relating to the other operations of the Council are salaries and benefits totalling $553,525 ($600,639 in 2009), and Council Fees, Travel and Meetings totalling $77,310 ($83,992 in 2009).

Costs for legal and other costs of hearings and prosecutions decreased to $30,572 from $112,546 in 2009. These reduced costs resulted from a decrease in prosecutions activities in 2010 as a result of reduced complaints from the public. Non-recoverable standards costs increased to $113,970 from $47,208 in 2009. This increase in costs was primarily due to legal costs incurred for matters relating to development of policies and procedures for the oversight of the Authorized

Designated Bodies, legal costs for the issuance of Council Guideline No. 2010-6, legal costs for other standards-related matters and travel costs for standards-related activities. Legal advisory costs also increased to $73,341 from $13,174 as a result of legal advice sought on corporate matters. Consulting costs of $32,195 were incurred in relation to office administration and personnel matters. Other costs incurred for rent, and general administrative matters were similar to 2009. Total expenses, excluding the recoverable standards assessment expenses, increased to $1,172,201 in 2010 from $1,151,295 in 2009.

Cash Flow and Liquidity

The Council's cash flow from operations increased by $67,110 in 2010 (decreased by $68,562 in 2009). The increase in cash flow from operations resulted primarily from net changes in the amounts relating to Accounts Payable and Due to Designated Bodies. As at year-end, the Council had $1,342,248 ($1,310,041 in 2009) in cash and investments. The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual net operating expenses.

During 2010, the Council invested its excess funds in: (i) interest bearing debt obligations of or guaranteed by the Government of Canada, or (ii) interest bearing debt obligations that meet certain eligibility criteria of or guaranteed by a Province of Canada or by a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget of $1,250,000 for the 2011 fiscal year compared with an operating budget that was set at $1,640,000 for 2010. This decrease in the budget outlook for 2011 results from a reduction in certain of the costs estimates for the upcoming year. The majority of expenses are forecast to be similar to those actually incurred in 2010. The costs for hearings and prosecutions will vary according to the number of reported complaints from the public.

STATEMENT OF MANAGEMENT RESPONSIBILTY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP), applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements.

Tinkham & Associates LLP have been appointed by the Council as auditors to express their opinion on the fair presentation of the financial statements. They have had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to their audit. The Audit Committee reviews the auditors' performance annually and makes a recommendation to the Members of the Council with respect to their reappointment for the coming year.

Signed: "Keith Bowman"
Keith Bowman
Chief Executive Officer

Signed: "John Crow"
John Crow
Chair

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FINANCIAL STATEMENTS

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2010

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

D C Tinkham, B Comm, CMC, FCA
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AUDITORS' REPORT

To **The Public Accountants Council for the Province of Ontario**

We have audited the balance sheet of The Public Accountants Council for the Province of Ontario as at October 31, 2010 and the statements of operations and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

TORONTO, Ontario

November 24, 2010

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2010	2009
Assets		
Current		
Cash	$ 69,786	$ 75,078
Short term investments (note 3)	717,664	433,355
Prepaid expenses	9,586	7,564
	797,036	515,997
Investments (note 3)	554,798	801,608
Capital (note 4)	82,153	109,382
	$ 1,433,987	$ 1,426,987
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 248,878	$ 104,829
Due to Designated Bodies	218,341	355,736
	467,219	460,565
Net assets	966,768	966,422
	$ 1,433,987	$ 1,426,987

Commitment (note 5)

On behalf of the Council:

Signed: "John Crow"

John Crow

Signed: "James C. Baillie"

James C. Baillie

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Operations and Changes in Net Assets

Year ended October 31	2010	2009
Revenues		
Designated Bodies assessment fees	$ 1,160,000	$ 1,150,000
Recovery of Standards assessment expenses	1,043,987	579,999
Interest	12,547	35,801
	2,216,534	1,765,800
Expenses		
Standards assessments	1,043,987	579,999
Salaries and benefits	553,525	600,639
Rent	126,155	121,753
Legal and other costs of hearings and prosecutions	30,572	112,546
Council fees, travel and meetings	77,310	83,992
Office	79,373	82,614
Amortization	62,133	66,582
Standards	113,970	47,208
Legal advisory	73,341	13,174
Audit	10,868	12,554
Insurance	12,759	10,233
Consultants	32,195	-
	2,216,188	1,731,294
Excess of revenues over expenses for the year	346	34,506
Net assets, beginning of year	966,422	931,916
Net assets, end of year	$ 966,768	$ 966,422

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2010	2009
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses for the year	$ 346	$ 34,506
Adjustments for items which do not affect cash		
Amortization	62,133	66,582
	62,479	101,088
Changes in non-cash working capital balances		
Due to Designated Bodies	(137,395)	1,927
Net increase in prepaid expenses	(2,022)	(2,469)
Net increase (decrease) in accounts payable	144,048	(169,108)
	4,631	(169,650)
Net cash provided (used) for operating activities	67,110	(68,562)
Investing activities		
Purchases of investments (net of sales)	(37,498)	(193,888)
Purchases of capital assets	(34,904)	(9,577)
	(72,402)	(203,465)
Decrease in cash	(5,292)	(272,027)
Cash, beginning of year	75,078	347,105
Cash, end of year	$ 69,786	$ 75,078

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the Public Accounting Act, 2004 (the Act). The Act was proclaimed into force on November 1, 2005.The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Certified Management Accountants of Ontario, and the Institute of Chartered Accountants of Ontario. The Council's operations are funded by the Designated Bodies.

2 Accounting policies

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the lease

(b) Investments

Investments are recorded at fair value which is based on quoted market values.

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual operating expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

(d) Financial instruments

Cash and investments are designated as available for sale and measured at fair value. Accounts payable and accrued liabilities, and due to Designated Bodies are classified as other financial liabilities and are measured at amortized cost.

2 Accounting policies continued

(e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Investments

	2010	2009
Guaranteed investment certificates, cashable, maturing July 25, 2011, bearing interest at 0.85% (2009 - maturing June 9, 2010, bearing interest at rates from 0.45% to 0.55%)	$ 424,968	$ 433,355
Deposit notes, due June 1 to July 14, 2011, semi-annual yield to maturities ranging from 1.60% to 1.78%	292,696	300,264
Ontario savings bond, interest at 0.75% initially and increasing to 4.50% due June 21, 2014	502,667	501,344
Ontario savings bond, interest at 1.25%, due June 21, 2016	52,131	-
	$ 1,272,462	$ 1,234,963
Less: current portion	717,664	433,355
Long-term investments	$ 554,798	$ 801,608

The guaranteed investment certificates are cashable without penalty. The deposit notes and Ontario Savings Bonds can be sold at market value at any time.

Council invests in interest bearing debt obligations of or guaranteed by the Government of Canada, and of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture, equipment and systems	$ 181,384	$ 126,571	$ 171,779	$ 113,172
Leasehold improvements	117,172	89,832	117,172	66,397
	$ 298,556	$ 216,403	$ 288,951	$ 179,569
Net book value		$ 82,153		$ 109,382

5 Lease commitment

Council has entered into a lease agreement for office space that extends until December 31, 2016. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2011 is estimated to be $131,500.

Minimum annual lease payments, excluding the Council's share of realty taxes and operating expenses required in each of the next five fiscal years are as follows:

2011	$	46,956
2012		46,956
2013		50,217
2014		50,869
2015		50,869

6 Financial instruments

The Council's financial instruments consisting of cash, accounts payable and accrued liabilities and due to Designated Bodies are all short term in nature and therefore the fair values of these financial instruments approximate their carrying value. Investments are all denominated in Canadian dollars and have been recorded at fair value. Fair value is determined by reference to published price quotations in an active market. In management's opinion, there are no significant credit, market, interest rate or currency risks arising from its financial instruments.

CONTACT INFORMATION

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